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MARKET ADMINISTRATOR

Market Administrator's

## BULLETIN

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ISSUED FOR PRODUCERS WHO ARE NOT MEMBERS OF COOPERATIVE ASSOCIATIONS

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## Federal Order Summary 1965

The Dairy Situation, Economic Research Service, USDA, March, 1966

Producer deliveries to Federal order handlers in 1965 amounted to 54.4 billion pounds of milk, 0.4 percent over a year earlier. Deliveries used in Class I were 34.6 billion, 2.1 percent higher. The 67 Order markets in effect in all of 1964 and 1965, and with no significant changes in their marketing areas, accounted for four-fifths of the gain in Class I use. However, nine-tenths of the gain in producer deliveries came from the 6 expanded or non-comparable markets. For the 67 comparable markets, producer deliveries were unchanged, compared with a Class I sales increase of 1.8 percent. Use of milk for Class I purposes in comparable markets was 62.8 percent, compared with 61.7 in 1964. Regionally, for all Federal order markets, the percentage of producer deliveries used in Class I milk was up in the South Atlantic, East North Central, and West North Central regions; unchanged in New England, Middle Atlantic, and Mountain regions; and lower in East South Central, West South Central, Southern, and Pacific regions. Federal milk orders accounted for about 70 percent of the milk eligible for fluid use in the United States last year and about two-thirds of total fluid milk and cream sales.

For all Federal order markets, daily deliveries averaged 943 pounds per producer in 1965, 6 percent over a year earlier. The average annual increases for 1960-64 was 8 percent. Gains in daily deliveries per producer from a year earlier slackened in late 1965 and averaged 4 percent in December 1965 compared with 9 percent a year earlier. The average number of producers declined 6 percent in 1965 from a year earlier, approximately offsetting the increase in average deliveries per producer.

During 1965, the Muskegon, Michigan, Toledo, Ohio, Sioux Falls-Mitchell, South Dakota, and Colorado Spring-Pueblo, Colorado, milk marketing areas were merged with 4 adjacent Federal orders. The Tampa Bay, Florida, order became partially effective December 1, 1965, and fully effective January 1, 1966. As a result of the 4 mergers and 1 new order, the number of Federal orders was reduced from 77 at the end of 1964 to 74 at the beginning of 1966. The Mississippi order replaced the former Mississippi Delta and Central Mississippi areas. The latter order was terminated in 1964.

Class I prices were reviewed in several midwestern markets as a re-

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## Livestock-Feed Price Ratio Continues Favorable

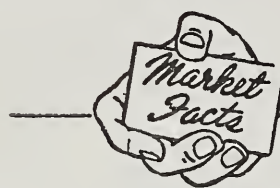
The Feed Situation, Economic Research Service, USDA, April, 1966

Livestock-feed price ratios were much more favorable for livestock and poultry producers during the first half of 1965-66 than in the 2 previous years. The favorable ratios this year are due largely to a marked increase in prices of livestock and livestock products during the past year. During October-March, prices of meat animals averaged 33 percent higher than a year earlier, dairy products were up 4 percent, and poultry and eggs were 16 percent higher. During this same period, feed grain prices averaged 3 percent lower and prices paid by farmers for all feed purchased was about the same as a year earlier.

The sharp increase in hog prices in the past year has resulted in a very favorable hog-corn price ratio. The hog-corn ratio, based on prices received by farmers, average 23.2 during October-March this year, much higher than the 13.6 in the same period of last year or the 1955-64 average of 14.5. The beef steer-corn price ratio averaged about 22.0 for the 6 months, based on Chicago prices; this was also above both a year earlier and the 10 year average of 20.4.

Feed prices also have been a little more favorable than average in relation to prices received for milk, eggs, and poultry.





*Columbus*

**MARKET FACTS FOR EASY REFERENCE**

**PRICE SUMMARY**

|  |       |
|--|-------|
| Producers' Uniform Price (3.5%)                            | ..... |
| Class I (3.5%)   | ..... |
| Class II (3.5%)  | ..... |
| Producer Butterfat Differential for each one-tenth percent | ..... |

**UTILIZATION SUMMARY**

|   |       |
|---|-------|
| Percent of Producer Milk in Class I       | ..... |
| Percent of Producer Butterfat in Class I  | ..... |
| Percent of Producer Milk in Class II      | ..... |
| Percent of Producer Butterfat in Class II | ..... |

**PRODUCER MILK RECEIPTS**

|   |       |
|---|-------|
| Total Pounds of Producer Milk Delivered | ..... |
| Average Daily Class I Producer Milk     | ..... |
| Total Number of Producers               | ..... |
| Average Daily Receipts per Producer     | ..... |
| Average Butterfat Test                  | ..... |
| Total Value of Producers Milk at Test   | ..... |
| Income per Producer (7 day average)     | ..... |

**GROSS CLASS USE (Pounds)**

|                    |       |
|--------------------|-------|
| Class I Skim       | ..... |
| Class I Butterfat  | ..... |
| Class I Milk       | ..... |
| Class II Skim      | ..... |
| Class II Butterfat | ..... |
| Class II Milk      | ..... |

**AVERAGE DAILY SALES (Quarts)**

|            |       |
|------------|-------|
| Milk       | ..... |
| Buttermilk | ..... |
| Chocolate  | ..... |
| Skim       | ..... |
| Cream      | ..... |

\* Corrected figure

| April<br>1966 | March<br>1966 | April<br>1965 |
|---------------|---------------|---------------|
| \$4.58        | \$4.72        | \$3.98        |
| 5.13          | 5.03          | 4.47          |
| 3.47          | 3.40          | 3.17          |
| 8.4¢          | 8.3¢          | 7.5¢          |
| 81.0          | 82.6          | 78.7          |
| 75.2          | 76.5          | 73.6          |
| 19.0          | 17.4          | 21.3          |
| 24.8          | 23.5          | 26.4          |
| 46,416,326    | 46,633,917    | 46,055,974    |
| 1,547,211     | 1,504,320     | 1,535,199     |
| 1,575         | 1,586         | 1,654         |
| 982           | 950           | 928           |
| 3.76          | 3.78          | 3.78          |
| \$2,319,500   | \$2,307,144   | \$2,022,187   |
| \$343         | \$329         | \$288         |
| 36,271,825    | 37,169,795    | 34,981,741    |
| 1,311,493     | 1,347,742     | 1,283,470     |
| 37,583,318    | 38,517,537    | 36,265,211    |
| 8,401,043     | 7,703,438     | 9,330,673     |
| 431,965       | 412,942       | 460,089       |
| 8,833,008     | 8,116,380     | 9,790,762     |
| 462,137       | 458,143       | 445,648       |
| 6,683         | 6,397         | 6,395         |
| 32,830        | 33,464        | 23,314        |
| 13,587        | 13,880        | 15,170        |
| 6,229         | 8,900         | 9,910         |



COMPARATIVE STATISTICS

COLUMBUS MARKETING AREA

APRIL, 1957 - '66

| Year | Receipts From Producers | Average Butter-fat Test | Percentage of Producer Milk in Each Class |          |           |          | Uniform Producer Price (3.5%) | Class Prices at 3.5% |          |           |          | Number of Producers | Daily Average Production |
|------|-------------------------|-------------------------|---|----------|-----------|----------|-------------------------------|----------------------|----------|-----------|----------|---------------------|--------------------------|
|      |                         |                         | Class I                                   | Class II | Class III | Class IV |                               | Class I              | Class II | Class III | Class IV |                     |                          |
| 1957 | 24,307,929              | 3.77                    | 80.8                                      | 10.9     | 5.6       | 2.7      | 4.07                          | 4.57                 | 4.17     | 3.49      | 3.07     | 1,899               | 427                      |
| 1958 | 25,127,358              | 3.73                    | 78.0                                      | 9.2      | 8.9       | 3.9      | 3.81                          | 4.350                | 3.950    | 3.350     | 2.927    | 1,821               | 460                      |
| 1959 | 27,016,706              | 3.75                    | 83.8                                      | 8.4      | 2.6       | 5.2      | 3.81                          | 4.314                | 3.914    | 3.489     | 2.869    | 1,772               | 508                      |
| 1960 | 28,853,090              | 3.83                    | 78.1                                      | 8.0      | 3.2       | 10.7     | 3.63                          | 4.195                | 3.795    | 3.532     | 2.904    | 1,690               | 569                      |
| 1961 | 28,736,091              | 3.80                    | 79.2                                      | 7.5      | 2.1       | 11.2     | 3.79                          | 4.328                | 3.928    | 3.729     | 3.119    | 1,243               | 771                      |
| 1962 | 33,768,621              | 3.82                    | 75.7                                      | 7.9      | 3.6       | 12.8     | 3.65                          | 4.22                 | 3.899    | 3.617     | 2.997    | 1,317               | 855                      |
| 1963 | 38,742,885              | 3.77                    | 74.2                                      | 7.9      | 4.0       | 13.9     | 3.55                          | 4.10                 | 3.713    | 3.605     | 2.985    | 1,381               | 935                      |
| 1964 | 41,344,881              | 3.77                    | 72.8                                      | 6.2      | 3.2       | 17.8     | 3.73                          | 4.16                 | 3.728    | 3.623     | 3.003    | 1,344               | 1,025                    |
| 1965 | 46,055,974              | 3.78                    | 78.7                                      | 21.3     | —         | —        | 3.98                          | 4.47                 | 3.170    | —         | —        | 1,654               | 928                      |
| 1966 | 46,416,326              | 3.76                    | 81.0                                      | 19.0     | —         | —        | 4.58                          | 5.13                 | 3.47     | —         | —        | 1,575               | 982                      |

## CCC Domestic Sales of Dairy Products

The Dairy Situation, Economic Research Service, USDA, April, 1966

Under the price support program for milk and butterfat, USDA purchases of dairy products have been sizable — averaging 5 percent of marketings since 1949. In most years — all of those when CCC has had appreciable stocks — market prices of butter, American cheese, and nonfat dry milk have been about equal to the USDA purchase prices, except for limited seasonal peaks and dips in prices.

Under existing legislation CCC may dispose of its stocks by various methods, including sales. Many of the restrictions placed on CCC sales by the Congress do not apply specifically to dairy products, since they are not storable within the meaning of the law, i.e., they can be stored only a limited period without deterioration. To maintain the objectives of the support program and to encourage commercial storage, CCC has offered dairy products for sale to domestic markets at prices moderately above the current support price. Sale prices are announced prior to each marketing year beginning April 1, effective for the coming marketing year. Prices have been announced each month but have continued unchanged during the marketing year, unless support purchase prices have been raised, or stocks become depleted.

CCC has set the domestic sale price above the support purchase price by varying amounts since 1950. For butter, cheese, and nonfat dry

milk, the margin has differed from time to time, as it has among the 3 products. Until 1958-59, the sale price exceeded the purchase price generally by 3 cents per pound for butter, 2 cents for cheese, and 1 cent for nonfat dry milk. The margin widened substantially in 1958-59 to the equivalent of 90 percent of parity. For the 1959-60 marketing year, domestic sales prices continued at the equivalent of 90 percent of parity. CCC purchase prices were set at 75 percent of parity. As a result of this large price spread and relatively short milk supplies, large seasonal market price increases occurred in late 1959. Margins have been lowered since. At the beginning of the 1963-64 marketing year, margins were set at about 3 cents for butter, 4 cents for cheese, and 2 cents for nonfat dry milk.

Sales are normally negligible unless a substantial shift in the supply-demand balance occurs. When commercial use exceeds current supplies from production and commercial stocks, market prices rise, and firms purchase CCC inventories at the domestic sales price. Only 3 periods of substantial sales occurred in the past 16 years — at the beginning of the Korean War period, 1950-51, and in each of the past 2 years. In 1964, the 36.0 million pounds of butter sales were largely to maintain domestic use, as substantial quantities were exported from private stocks under the Payment-In-Kind program. Last

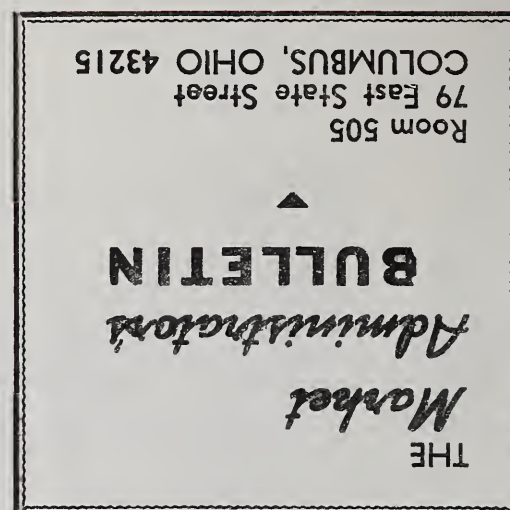
year's 35.3 million pounds sales were used to supply domestic needs when U. S. milk production dropped sharply. This past year, CCC cheese sales have been minor, due to low stock levels. On the other hand, sales of nonfat dry milk over most of the 1949-65 period have been minor, because supplies have been large.

As long as CCC offers products for sale, its sale price sets the upper range for wholesale prices. But if CCC stocks become depleted, domestic market prices may rise above CCC prices. This happened during the Korean War period, 1951-52, and is also the current situation for butter and cheese.

The opportunity for seasonal price changes makes commercial holdings above operating levels economically feasible. But the relatively small margin for butter and nonfat dry milk sales prices over purchase prices during most of this period has meant that virtually all excess stocks moved to USDA. Furthermore, when current production exceeds use most of the time, seasonal price rises are small. On the other hand, the relatively larger margin between CCC's purchase and sales prices and the smaller surplus of cheese has encouraged commercial firms to hold stocks.

Need for maintaining adequate stocks of aged cheese also leads to sizable commercial stocks. Unlike butter and nonfat dry milk, cheese normally increases in value under proper storage.





## FEDERAL ORDER SUMMARY . . .

(Continued from Front Page)

sult of shortening supplies relative in fluid sales. As a result, USDA amended the Chicago milk marketing order and 13 other milk orders in the Midwest to increase fluid milk (Class I) prices temporarily through June 1966. Supply-demand adjusters were also amended in several markets to provide for closer price alignment within markets and within regions.

Federal milk order pricing of milk used for manufacturing also was considered at public hearing in 1965. Milk orders price about 30 percent of all milk used by manufacturing in the United States.

Two types of formulas are used to relate order prices to the value of milk for manufacturing. One type, commonly referred to as a "product price formula", is based on the prices of specified manufactured dairy products. The competitive pay price type of formula, which is based on prices paid for manufacturing grade milk, has been more widely favored by producers in recent years.

Of the 74 milk orders effective on January 1, 1966, 18 based the manufacturing values on 1 or more product prices minus a handling allowance; 33 specify a competitive pay-price type of formula; and 4 specify the value from more than 1 type of competitive pay-price; and 19 orders specify the value from 1 or more competitive pay-prices and product price type formulas.

## Market Quotations

APRIL

1966

|   |        |
|---|--------|
| MINNESOTA - WISCONSIN PRICE SERIES  | \$3.64 |
| Skim Milk Powder-Butter Price, 3.5% per Cwt. (Columbus)   | 3.37   |
| Average Price per lb. 92-score butter at Chicago  | .6280  |
| Average carlot prices non-fat dry milk solids<br>roller and spray process, f.o.b. manufacturing plant | .1602  |

## Cow Percentage In Organized Record Keeping Rising

The Dairy Situation, Economic Research Service, USDA, March, 1966

The percentage of U. S. dairy cows enrolled in the National Cooperative Dairy Herd Improvement Program (DHIA) continues to rise — from 9.3 percent 10 years ago to 19.1 percent in 1966 — a summary just released by the U. S. Department of Agriculture indicates.

The three major DHIA record-keeping plans are the detailed and precise Standard Plan, covering 2 million cows; the less-rigidly controlled Owner-Sampler Plan, covering about 800,000 cows; and the Weight-a-Day-a-Month Plan — designed to introduce dairymen to organized record keeping — covering 50,000 cows.

Dr. Ernest L. Corley, who supervises DHIA for USDA's Agricultural Research Service, notes that the biggest recordkeeping change in recent years has come about through centrally located, automated data processing. Standard Plan records are completely processed by computer in 32 States. Nationwide, central pro-

cessing covers more than 92 percent of participating herds.

This trend toward centralization is reflected by the fact that almost 1,000 fewer local DHIA producer associations handle the business of the program today than 10 years ago. Participating herds dropped by 2,000 in the last decade, reflecting a general decrease in herd numbers — but at the same time herd size increased from 34 to 53 cows, Standard Plan records show.

Dr. Corley says that while milk produced in DHIA herds increased in the past decade from 9,500 to nearly 12,000 pounds per cow, the butterfat in this milk declined steadily. The yearly drop averaged 0.013 of a percentage point. Butterfat now averages 3.8 percent.

Participating herds currently outdo non-DHIA herds by 65 percent in milk yield per cow, reflecting the value of record keeping and the closer control over business input and output this makes possible.